

# **BOLINAS LAGOON ENVIRONMENTAL RESTORATION PROJECT**

## **PRELIMINARY FINANCIAL ASSESSMENT**

### **1. PURPOSE**

The objective of this analysis is to conduct an assessment of the Financial Capability Statement and Financing Plan submitted by the Marin County Open Space District (MCOSD) for the Bolinas Lagoon Ecosystem Restoration Project. MCOSD is the local sponsor for the project and has primary responsibility for ensuring that local sponsor funds are provided to meet the current construction schedule.

### **2. METHODOLOGIES**

As part of the Corps process, an “Assessment of Financial Capability” is completed for all projects. The Corps’ assessment of the financial capability of the local sponsor, MCOSD, is to determine if it is reasonable to expect that sufficient funds will be available to satisfy the local sponsor’s financial obligations of the project. The Corps is expected to present a rationale supporting the conclusion of the assessment. Typically, appropriate rationale would include discussion of prior performance of the local sponsor on similar projects, certainty of revenue sources and method of payment, the overall financial position of the local sponsor and/or the credit worthiness of the sponsor’s debt obligations as reported by independent credit rating services (e.g., Moodys or Standard & Poors). This Preliminary Financial Assessment will serve as a pre-cursor to the Financial Assessment that will be provided in the Final Feasibility Report.

The financial analysis is evaluated based on guidelines from the Corps’ Planning Guidance Notebook (ER 1105-2-100), which the Corps uses to determine the local sponsor’s financial credibility. Financial worksheets are sent to MCOSD to be filled out, and that information will be incorporated into the analysis. Funding sources listed by MCOSD are verified by the Corps. The following information will be analyzed in the Financial Assessment:

1. Funding sources
2. Additional resources
3. Debt history
4. Financial Condition

The following financial indicators will also be evaluated:

1. Annual rate of change in population
2. Current deficit as a percentage of total current expenditures
3. Real property tax collection rate

4. Property tax revenues as a percentage of full market value of real property
5. Overall net debt as a percentage of full market value of real property
6. Overall net debt outstanding as a percentage of personal income
7. Direct net debt per capita
8. Overall net debt per capita
9. Percentage of direct net debt outstanding due within the next 5 years

When analyzed, this information will indicate an overall financial condition of MCOSD. Although the financial assessment has not been completed, information from Moodys, which rated Marin County as Aa<sup>1</sup>, suggests that MCOSD will have sufficient funds to satisfy the local sponsor's financial obligations of the project.

MCOSD has expressed an interest in pursuing phased implementation of the project. Project implementation may be accomplished, upon mutual agreement of the parties, through cost-sharing and construction of separable elements, each of which must be physically separable from other portions of the authorized project and each of which achieves hydrologic effects, or produces physical or economic benefits, that are separably identifiable from those produced by other portions of the project. This would be documented in a future feasibility document. MCOSD has also requested information about the possibility of long term financing as an option. Section 103(k) of the Water Resources Development Act of 1986 [33 U.S. Code section 2213(k)] authorizes the Secretary of the Army, at his discretion, to permit the non-Federal contribution to be made, with interest, over a period of not more than 30 years from the date of completion of construction. Both of these possibilities will be discussed in more detail in the Financial Assessment of the Final Feasibility Study.

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<sup>1</sup> Issuers rated Aa offer excellent financial security. Together with the Aaa group, they constitute what are generally known as high-grade entities. They are rated lower than Aaa-rated entities because long-term risks appear somewhat larger.